

## Message Text

LIMITED OFFICIAL USE

PAGE 01 BRASIL 06254 272033Z

ACTION EB-08

INFO OCT-01 ARA-10 EUR-12 ISO-00 COME-00 AGRE-00 SP-02

USIA-06 AID-05 NSC-05 TRSE-00 SS-15 STR-04 OMB-01

CEA-01 L-03 CIAE-00 INR-07 NSAE-00 PRS-01 /081 W

-----101142 280549Z /13

R 271900Z JUL 77

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 2993

INFO AMEMBASSY LONDON

AMEMBASSY BOGOTA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 6254

EO 11652 NA

TAGS EAGR ETRD BR

SUBJECT: BRASILIAN COFFEE DEVELOPMENT: RIO TRADE VIEWS

REF: BRASILIA 6165

FOLLOWING MESSAGE PREPARED BY AMCONSUL RIO DE JANEIRO:

SUMMARY: RIO COFFEE EXPORTERS, IN CONVERSATIONS WITH CONGEN OFFICER, HAVE BEEN VERY CRITICAL OF GOB COFFEE MARKETING POLICY. THERE IS NO DETAILED CONSENSUS ON WHAT TACTICS BRAZIL SHOULD USE BUT INTERVENTION BY GOB THROUGH INTERBRAS IN NEW YORK MARKET IS CONSIDERED CONFRONTATIONAL AND UNLIKELY TO SUCCEED SINCE, IN TRADERS' VIEW, USG HAS AND WILL COUNTER-INTERVENE TO KEEP PRICES DOWN. END SUMMARY.

1. RECENT SHARP COFFEE PRICE DECLINE ON INTERNATIONAL MARKET AND ONE-MONTH EXTENSION FOR DELIVERIES ON NEW YORK JULY CONTRACTS HAVE UPSET RIO COFFEE TRADERS.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRASIL 06254 272033Z

TRADE SOURCES CONTACTED BY CONGEN HAVE EXPRESSED DISMAY OVER WHAT THEY CONSIDER CHANGES IN THE RULES OF THE GAME REGULATING THE NEW YORK MARKET. MORE CYNICAL TRADERS SEE THESE MARKET DEVELOPMENTS AS MANEUVERS ON PART OF THE USG, ACTING THROUGH THE LARGE AMERICAN IMPORTERS, TO COUNTER BRAZILIAN AND EL SALVADORIAN ATTEMPTS TO DEFEND INTERNATIONAL COFFEE PRICES. THESE SOURCES WERE VERY CRITICAL OF GOB

OFFICIALS RESPONSIBLE FOR BRAZILIAN COFFEE POLICY AND CONSIDERED CALAZANS, BRAZILIAN COFFEE INSTITUTE (IBC) PRESIDENT, AND CALMON DE SA, MINISTER OF INDUSTRY AND COMMERCE TOTALLY INEXPERIENCED IN COFFEE MATTERS AND INCAPABLE IN PRESENT SITUATION. AS AN EXAMPLE, ONE PROMINENT EXPORTER NOTED THAT CALMON DE SA DECRIES U.S. GOVERNMENT INTERVENTION IN THE MARKET AND, AT THE SAME TIME, CALLS FOR CHANGES IN THE INTERNATIONAL COFFEE AGREEMENT TO PERMIT DIRECT GOB INTERVENTION. SEVERAL CONTACTS SUGGESTED THAT IT WAS TIME FOR BRAZIL AND THE U.S. TO NEGOTIATE AN ARRANGEMENT THAT WOULD AVOID CONTINUAL CONFRONTATIONS IN THE MARKET.

2. OPINIONS DIFFER ON SHORT-TERM PRICE TRENDS. ONE EXPORTER CLAIMED THAT PRICES WOULD NOT STAY BELOW \$2 PER POUND FOR ANY SIGNIFICANT TIME AND, IN FACT, GOB'S PREDICTION OF PRICE RISE BY SEPTEMBER WOULD PROVE OUT. OTHER TRADERS WERE MORE CAUTIOUS. ALL AGREED, HOWEVER, THAT \$3.20/ POUND MINIMUM EXPORT PRICE IS UNREALISTIC. ONE POSSIBLE OPTION FOR GOB TO AVOID DOWNWARD PRICE PRESSURE, IF MINIMUM EXPORT PRICE WERE REDUCED, IS SIMULTANEOUSLY TO INCREASE THE SUPPORT PRICE (SUGGESTED NEW LEVEL WAS CR\$ 2000, CURRENT LEVEL IS CR\$ 1250). THIS ACTION WOULD INCREASE PRODUCER ABILITY TO HOLD COFFEE OFF THE MARKET UNTIL PRICES INCREASE TO WHAT GOB CONSIDERS ADEQUATE LEVEL (I.E., THE NEW MINIMUM EXPORT PRICE). IN THIS SCENARIO GOB WOULD ALSO LOWER THE CONTRIBUTION QUOTA.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03      BRASIL 06254 272033Z

3. RIO TRADE SOURCES HAD FEW COMMENTS ON RECENTLY-ANNOUNCED BANKRUPTCY OF LEITE BARREIROS, BRAZILIAN COFFEE EXPORTING FIRM. ALTHOUGH ALL AGREED THAT COFFEE MARKET DEVELOPMENTS WERE PARTLY RESPONSIBLE, TRADE SOURCES POINTED TO BARREIROS' INVOLVEMENT IN NON-TRADITIONAL (E.G., OUTSIDE THE COFFEE SECTOR) ACTIVITIES AS CHIEF REASON FOR DOWNFALL. REPRISALS ON OTHER FIRMS ARE EXPECTED TO BE MINOR. ONE SOURCE NOTED THAT, IF ANY BIG FIRMS OR BANKS WERE ENDANGERED, THE GOB WOULD BAIL THEM OUT.

4. COMMENT: IN THE CURRENT MARKET SITUATION, EXPORTER COMPLAINTS ARE TO BE EXPECTED. WHAT IS SOMEWHAT SURPRISING IS THEIR VEHEMENT CRITICISM OF GOB POLICYMAKERS IN THE COFFEE SECTOR AND THEIR LACK OF SUPPORT FOR RECENT GOB EFFORTS TO "DEFEND" INTERNATIONAL COFFEE PRICES.

END COMMENT.

5. REPLY TO REFTEL NEEDED URGENTLY. DEPARTMENT WILL NOTE FROM THIS MESSAGE THAT VIEW THAT USG IS ACTING TO DEPRESS COFFEE PRICES IS WIDELY HELD BY COFFEE TRADERS. THIS ADDED TO BRAZILIAN PRESS CLAIMS AND HIGH-LEVEL GOB CHARGES INTENSIFIES OUR

NEED FOR INFORMATION AND CLARIFICATION.

RUSER

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COFFEE, TRADE, INDUSTRIAL PRODUCTION, PROGRESS REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 27-Jul-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977BRASIL06254  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770270-0076  
**Format:** TEL  
**From:** BRASILIA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770715/aaaaamwp.tel  
**Line Count:** 118  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** f9098663-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 BRASILIA 6165  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 06-Dec-2004 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 1739339  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** BRASILIAN COFFEE DEVELOPMENT: RIO TRADE VIEWS  
**TAGS:** EAGR, ETRD, EIND, BR  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/f9098663-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009